Cities that weathered housing bust now suffering

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In this photo, a home is shown for sale in Chagrin Falls, Ohio. Home prices have reached their lowest points since the housing bubble burst in 2006, driven down by foreclosures, a glut of unsold homes and the reluctance or inability of many to buy.

WASHINGTON — Even cities that weathered the housing market crash with relatively little damage are suffering now.

Severe price declines have spread to Dallas, Denver, Minneapolis and Cleveland, which had mostly withstood the bust in housing since 2006. The damage has now gone well beyond cities hit hardest by unemployment and foreclosures, such as Phoenix and Las Vegas.

"We didn't enjoy the highs and the lows like other cities," said Kay Weeks, a Realtor with Ebby Halliday in Dallas, where prices fell nearly 1 percent in March and are expected to keep falling. "But when we get bad news nationally, people take notice and cut back on spending and buying homes."

Home prices in big metro areas have sunk to their lowest since 2002, the Standard & Poor's/Case-Shiller 20-city monthly index showed Tuesday. Since the bubble burst in 2006, prices have fallen more than they did during the Great Depression.

The index, which covers metro areas that include about 70 percent of U.S. households, is updated every quarter and provides a three-month average. The March data is the latest available.

Foreclosures have forced prices down so much that some middle-class neighborhoods have turned into lower-income areas within months.

Prices are expected to keep falling until the glut of foreclosures for sale is reduced, companies start hiring in greater force, banks ease lending rules and more people think it makes sense again to buy a house. In some markets, that could take years.

The latest report points to a "double dip in home prices across much of the nation," said David Blitzer, chairman of the Index Committee at Standard & Poor's.

Prices fell from February to March in 18 of the metro areas tracked by the Standard & Poor's/Case-Shiller index. And prices in a dozen markets have reached their lowest points since the housing bubble burst in late 2006.

The overall index fell for the eighth straight month and has dropped 3.6 percent in the past year. Prices had risen last summer, fueled by a temporary federal homebuying tax credit. But they've tumbled 7 percent since then. After adjusting for inflation, the home-price index has sunk to the level of 1999.

Cities with high foreclosures such as Phoenix, Las Vegas and Tampa, Fla., are flooded with homes sitting vacant, awaiting buyers. Many banks have agreed to allow homes at risk of foreclosure to be sold for less than what is owed on their mortgages. That has pulled down prices.

In the seven years before its peak in July 2006, the home-price index surged 155 percent. Since then, it's fallen 33 percent.

During the Great Depression, prices fell 31 percent. It took 19 years for the housing market to regain its losses after the Depression ended.